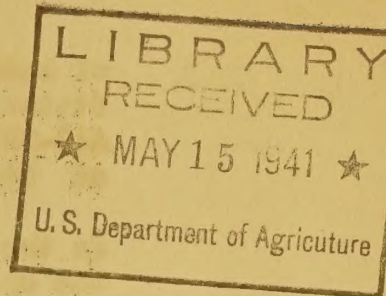


Issued April 10, 1941

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UNITED STATES DEPARTMENT OF AGRICULTURE  
AGRICULTURAL ADJUSTMENT ADMINISTRATION  
WESTERN DIVISION



PROCEDURE FOR WITHHOLDING INCOME TAX FROM  
AAA PAYMENTS DUE NONRESIDENT ALIENS

I. Introduction

If an application for payment is filed by or on behalf of a person whose address is shown to be outside the United States, its possessions or territories, it will be necessary that the citizenship of such person be determined as hereinafter provided. Where it is shown that the applicant is not a citizen of the United States it will be necessary to withhold part of the payment computed for the applicant in accordance with the following procedure.

II. General

- A. In cases where an applicant obtains conservation materials or an advance for payment of his crop insurance premium and the total deduction for such materials or advance equals or exceeds the payment less deduction for association expense (hereinafter referred to as the net payment) no tax will be withheld. If, however, such deduction is less than the net payment, the tax is to be computed against the net payment. In such event the tax which is to be transferred to the Bureau of Internal Revenue, as hereinafter provided, cannot be greater than the amount by which the net payment exceeds the total of the deduction for the materials or advance.
- B. With respect to assignments, the status of the assignor and not the assignee is the controlling factor. Accordingly, the net payment earned by an assignor who is a nonresident alien is subject to the tax, irrespective of the status of the assignee. If the assignor is not a nonresident alien, the tax is not applicable against the assignee.
- C. Items of indebtedness against a nonresident alien for reasons other than those mentioned in A above, are to be deducted after the tax deduction. That is, the deduction for income tax purposes will take priority over all other deductions or offsets, except those provided in A above. The tax is applicable to all AAA payments including agricultural conservation, range conservation, parity, and sugar payments.

The rates of the tax are: (1) for nonresident alien corporations, 15 percent; (2) for nonresident alien residents of Canada, other than corporations, 5 percent; (3) for all other nonresident aliens, other than corporations, 10 percent.

III. Method of Withholding Tax

A. Form AAA-397

Where an application is to be filed, or has been filed, by or on behalf



of individuals or co-signers whose addresses are outside the United States, its possessions or territories, it will be necessary that Form AAA-397, "Data with respect to applicant(s) residing outside of the United States," be executed in duplicate.

In the case of co-signers the form is to be signed by or on behalf of all the co-signers, even though some may be citizens or resident aliens.

Either Sections I or II and Section III must be executed.

If the application is signed by or on behalf of a nonresident alien partnership, association, corporation, estate or trust, Form AAA-397 should not be executed but the tax should be withheld from the payment on the assumption that such applicants are nonresident aliens.

Where the address of an applicant is within the United States, its possessions or territories, it shall be assumed that such applicant is not a nonresident alien and it will not be necessary to have Form AAA-397 executed, unless the county committee has knowledge of the fact that such applicant is a nonresident alien.

The original of Form AAA-397 shall be forwarded to the Preaudit Office with the related application for payment. The copy will be filed in the State Office.

A copy of the Form AAA-397 is attached; the form will not be printed; therefore a supply should be mimeographed in the State Office for use.

#### B. Application for Payment

The application for payment, where deduction is being made from the applicant's payment for income tax purposes, should be computed in the regular manner. However, as stated above, the income tax deduction will take priority over all deductions and offsets, other than deductions for conservation materials or advances for crop insurance premiums. The notation "Deduction for income tax \_\_\_\_\_%" with the applicable tax rate of 5, 10 or 15 percent entered in the blank space must be entered in the applicable space on the application for payment in a similar manner as is provided for other deductions.

Where, as explained in II, A above, the deductions for conservation materials or crop insurance advances equals or exceeds the amount of the net payment due the applicant, no tax deduction will be made; therefore, the above entry will not be required on the application for payment.

Where the total deduction for conservation materials and crop insurance advances is less than the net payment due the applicant, a deduction for tax purposes will be made and the deduction entered. However, the amount of the tax to be entered on the application shall be no greater than the difference between the applicant's net payment and the sum of the amounts being deducted for conservation materials and crop insurance advances.



Where it is not possible, in such cases, to make a deduction for the full amount of the tax, no further action will be taken nor will the balance of the tax which could not be deducted be entered on the register of indebtedness.

C. Form 1042 and Form 1042B

Where an amount is being deducted for income tax purposes Form 1042, "U. S. Annual Return of Income Tax to be Paid at Source, 1940," shall be prepared in the original and one copy in each case.

Where the nonresident alien is a resident of Canada, Form 1042B, "U. S. Annual Return of Income Tax Withheld from Canadian Addressees, 1940," shall also be prepared in the original and two copies in each case.

Forms 1042 and 1042B shall be prepared as follows:

1. The "name of withholding agent" shall be listed as "Department of Agriculture, A.A. A., \_\_\_\_\_ State Office," with the appropriate State entered in the blank space. The "address" will be that of the State Office.
2. The "name of agent for above withholding agent" shall be G. F. Allen, Chief Disbursing Officer. The "address" will be that of the Disbursing Office in which the check is drawn.
3. The "signature" shall be that of the person authorized to sign voucher forms as certifying officer and the "capacity in which acting" shall be the same as the title which he uses in signing voucher forms. His signature must be verified under oath or affirmation in the space provided. The oath or affirmation may be administered by any person duly authorized to administer oaths for general purposes by the law of the United States or any State, wherein such oath or affirmation is administered.
4. The balance of the forms is to be filled in as indicated thereon. The "nature of income" should be described by the name and year of the program in connection with which the payment is earned. The "gross amount of income paid" should be the amount against which the tax is computed (net payment). In cases where due to deductions for conservation materials or crop insurance advances the amount available for transfer to the Bureau of Internal Revenue is less than the amount normally to be deducted, an explanation should be made on the form to the effect that \$\_\_\_\_\_ of the "gross amount of income paid" was paid in materials or crop insurance advances. The sum of the deductions for conservation materials and crop insurance advances shall be entered in the blank space.
5. For cases which on December 31, 1940 were being held pending receipt of instructions, the tax shall be considered as being withheld during the calendar year 1940. For cases which arise during the calendar year 1941, Forms 1042 and 1042B for 1940 shall be used but 1940 shall be changed to 1941. A supply of Forms 1042 and 1042B for 1940 may be obtained from the

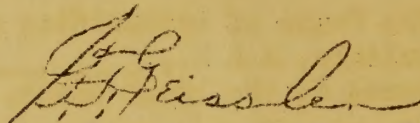


nearest Bureau of Internal Revenue Office. The 1941 forms will not be made available by the Bureau of Internal Revenue until approximately January 1, 1942, at which time a supply of these forms may also be obtained from the nearest Bureau of Internal Revenue Office.

6. The original of Form 1042 and, where applicable, the original and one copy of Form 1042B shall be attached to the original of the Schedule of Disbursements. One copy of Form 1042 and one copy of 1042B shall be filed in the State Office.

D. Scheduling Tax Deduction

In scheduling the amount of tax to be transferred to the Bureau of Internal Revenue, the name of the payee and the address to be entered on the schedule shall be "Collector of Internal Revenue, Baltimore, Maryland."

  
Acting Director, Western Division.

Attachment



Form AAA-397

State and County Code and Application Serial No.

Program

Name of Applicant(s)

DATA WITH RESPECT TO APPLICANT(S) RESIDING OUTSIDE OF THE UNITED STATES

(To be executed when Application for Payment under any program administered by the Agricultural Adjustment Administration is made by or on behalf of a person who resides outside of, or makes such application from a point outside of, the United States, its territories or possessions.)

SECTION I

TO BE EXECUTED WHEN APPLICATION IS MADE BY, FOR, OR ON BEHALF OF AN INDIVIDUAL.

1. Is the applicant a citizen of the United States? \_\_\_\_\_
2. If the applicant is not a citizen of the United States, state the country of which he is a citizen or subject. \_\_\_\_\_

SECTION II

TO BE EXECUTED WHEN APPLICATION IS MADE BY, FOR, OR ON BEHALF OF CO-SIGNERS (JOINT OWNERS, JOINT OPERATORS, OR JOINT TENANTS).

1. Is each co-signer a citizen of the United States? \_\_\_\_\_
2. If any co-signer is not a citizen of the United States, state his name, the country of which he is a citizen or subject, and his percentage share of the total payment due such co-signers. \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

SECTION III

TO BE EXECUTED BY OR ON BEHALF OF ALL APPLICANTS WHOSE NAMES APPEAR ABOVE AND IN THE SAME MANNER AS THE APPLICATION FOR PAYMENT IS SIGNED.



The undersigned hereby certifies that to the best of his knowledge and belief the information entered hereon in Section I or II is correct.

Date \_\_\_\_\_, 19\_\_.

\_\_\_\_\_  
Signature of Applicant\*

\*Witness required when signature of applicant is made by mark.

(If more space is needed for signatures, use space available below first signature. If more space is needed for any entry in Section I or II, attach necessary sheet to this form.)